



BERBERICH TRAHAN & CO., P.A.

*Certified Public Accountants*

# TOPEKA PUBLIC BUILDING COMMISSION

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FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2011

TOPEKA PUBLIC BUILDING COMMISSION

FINANCIAL STATEMENTS

Year Ended December 31, 2011

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Certified Public Accountants

## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Topeka Public Building Commission  
Topeka, Kansas

We have audited the accompanying basic financial statements of the business-type activities of the Topeka Public Building Commission (the Commission) as of and for the year ended December 31, 2011, as listed in the table of contents. These financial statements are the responsibility of the Commission's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the applicable provisions of the Kansas Municipal Audit Guide. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the Commission as of December 31, 2011 and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 2 through 3 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Berberich Trahan & Co., P.A.*

July 11, 2013

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

The Topeka Public Building Commission provides readers of our financial statements the following summary information and analysis of the financial activities of the Topeka Public Building Commission for the fiscal year ended December 31, 2011.

The information presented here is intended to introduce the reader to the basic financial statements. The activities of the Topeka Public Building Commission are reported as an enterprise fund and as such we prepare three basic financial statements, notes to the financial statements and required supplementary information including this Management's Discussion and Analysis (MD&A). The Statement of Net Assets presents the assets and liabilities of the Commission. Assets consist of cash, interest receivable on idle funds, and lease receivables. Liabilities include revenue bond interest payable, other accounts payable, and revenue bonds payable. The net assets balance reflects amounts available for repayment of revenue bonds outstanding and for the payment of fees to the Trustee.

The liabilities of the Topeka Public Building Commission exceeded assets at the close of the fiscal year by \$458,303 for fiscal year 2011. The liabilities of the Topeka Public Building Commission exceeded assets at the close of the fiscal year 2010 by \$355,922.

### Topeka Public Building Commission - Net Assets

|                          | 2011          | 2010          |
|--------------------------|---------------|---------------|
| Current and other assets | \$ 85,313,879 | \$ 58,470,031 |
| Long-term liabilities    | 81,140,463    | 57,311,113    |
| Other liabilities        | 4,631,719     | 1,514,840     |
| Total liabilities        | 85,772,182    | 58,825,953    |
| Unrestricted net assets  | \$ (458,303)  | \$ (355,922)  |

The total assets of the Topeka Public Building Commission increased by \$26,843,848 between 2010 and 2011. In addition, the total liabilities of the Commission also increased by \$26,946,229 between 2010 and 2011. The basis for both increases was the recognition of an accounting error that was discovered and corrected in 2011. The error consisted of the undervaluing of lease receivables (an asset account) by \$29,751,914 with a corresponding undervaluing of unearned revenues (a liability account) by \$29,686,552. The error correction also consisted of writing off a deferred interest balance of \$144,755 and a charge against interest income of \$79,393.

The Topeka Public Building Commissions total net assets decreased by \$102,381 and \$34,764 for 2011 and 2010, respectively. The decrease in net assets for 2010 was attributable to declining interest earnings on investments. For 2011, the decrease in net assets was attributable to the correction of the accounting error for \$65,362 and \$29,948 from operations, which was due to declining interest earnings on investments. While net assets are a negative balance, much of that balance is due to timing differences surrounding the recognition of certain revenues and expenses. The Commission's lease agreements with the state provides for sufficient cash flows to meet bond principal and interest payments along with operating expenses.

The Statement of Revenue, Expenses and Changes in Fund Net Assets provides information about resources and the use of those resources. Under the terms of the lease agreement, the Commission collects lease payments sufficient to meet the debt services requirements on the bonds.

Topeka Public Building Commission – Revenue, Expenses, and Changes in Fund Net Assets

|                                 | 2011                       | 2010                       |
|---------------------------------|----------------------------|----------------------------|
| Operating revenues              | \$ 2,628,858               | \$ 2,750,646               |
| Operating expenses              | <u>(477,757)</u>           | <u>(55,189)</u>            |
| Operating income                | <u>2,151,101</u>           | <u>2,695,457</u>           |
| Non-operating revenue (expense) | <u>(2,253,482)</u>         | <u>(2,730,221)</u>         |
| Change in net assets            | (102,381)                  | (34,764)                   |
| Net assets, beginning of year   | <u>(355,922)</u>           | <u>(321,158)</u>           |
| Net assets, end of year         | <u><u>\$ (458,303)</u></u> | <u><u>\$ (355,922)</u></u> |

Operating Revenues in 2011 decreased in part due to the correcting entry for lease receivable and unearned revenues. The increase in operating expense for 2011 was largely a result of repairs being made to the roofs of both leased buildings due to storm damage. Although expenses increased, the roof repairs were covered and reimbursed by insurance.

The Statement of Cash Flows is provided to identify the sources and uses of cash during the fiscal year and to demonstrate that there is sufficient cash to meet obligations. The net cash from operating activities was \$3,931,134 for fiscal year 2011 and \$1,161,720 for fiscal year 2010. The variance is due to interest on revenue bonds being moved from Cash Flows from Operating Activities to Cash Flows from Capital and Related Financing Activities. The result of this change also includes the decrease for Net Cash Provided by Capital and Related Financing Activities to (\$3,755,730) for fiscal year 2011 from (\$1,160,000) for fiscal year 2010. The Cash Flows from Capital and Related Financing Activities for 2011 is comprised of revenue bond principal payments, revenue bond interest payments, and insurance reimbursements.

This report is intended to provide financial information about the Topeka Public Building Commission activities. For additional information you may contact Roger Basinger, Public Service Executive III, Kansas Department of Administration at (785) 296-8083 or by email at [Roger.Basinger@da.ks.gov](mailto:Roger.Basinger@da.ks.gov).

TOPEKA PUBLIC BUILDING COMMISSION

STATEMENT OF NET ASSETS

December 31, 2011

**ASSETS**

Current assets:

|                                    |            |
|------------------------------------|------------|
| Cash and cash equivalents          | \$ 489,001 |
| Interest receivable                | 23         |
| Rent receivable                    | 10,444     |
| Insurance reimbursement receivable | 191,473    |
| Leases receivable, current         | 4,037,500  |
|                                    | <hr/>      |
| Total current assets               | 4,728,441  |
|                                    | <hr/>      |

Noncurrent assets:

|                              |            |
|------------------------------|------------|
| Leases receivable            | 80,069,219 |
| Deferred bond issuance costs | 516,219    |
|                              | <hr/>      |
| Total noncurrent assets      | 80,585,438 |
|                              | <hr/>      |
| Total assets                 | 85,313,879 |
|                              | <hr/>      |

**LIABILITIES**

Current liabilities:

|                                |           |
|--------------------------------|-----------|
| Accrued interest payable       | 222,302   |
| Accounts payable               | 371,917   |
| Unearned revenue               | 2,632,500 |
| Revenue bonds payable, current | 1,405,000 |
|                                | <hr/>     |
| Total current liabilities      | 4,631,719 |
|                                | <hr/>     |

Noncurrent liabilities:

|   |            |
|---|------------|
| Revenue bonds payable (net of unamortized premiums and deferred amounts on refunding) | 54,076,244 |
| Unearned revenue  | 27,064,219 |
|   | <hr/>      |
| Total noncurrent liabilities  | 81,140,463 |
|   | <hr/>      |
| Total liabilities   | 85,772,182 |
|   | <hr/>      |

**NET ASSETS**

|                  |              |
|------------------|--------------|
| Unrestricted     | (458,303)    |
|                  | <hr/>        |
| Total net assets | \$ (458,303) |
|                  | <hr/>        |

See accompanying notes to financial statements.

TOPEKA PUBLIC BUILDING COMMISSION

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS

Year Ended December 31, 2011

|  |                     |
|--|---------------------|
| Operating revenues:                    |                     |
| Expense reimbursement                  | \$ 61,526           |
| Rental income - interest               | <u>2,567,332</u>    |
| Total operating revenues               | <u>2,628,858</u>    |
| Operating expenses:                    |                     |
| Trustee fees                           | 6,000               |
| Professional fees and insurance        | 61,526              |
| Roof repair                            | <u>410,231</u>      |
| Total operating expenses               | <u>477,757</u>      |
| Operating income                       | <u>2,151,101</u>    |
| Nonoperating revenues (expenses):      |                     |
| Investment income                      | 653                 |
| Interest expense                       | (2,694,191)         |
| Amortization                           | 29,809              |
| Insurance reimbursement                | <u>410,247</u>      |
| Total nonoperating revenues (expenses) | <u>(2,253,482)</u>  |
| Change in net assets                   | (102,381)           |
| Net assets, beginning of year          | <u>(355,922)</u>    |
| Net assets, end of year                | <u>\$ (458,303)</u> |

See accompanying notes to financial statements.

TOPEKA PUBLIC BUILDING COMMISSION

STATEMENT OF CASH FLOWS

Year Ended December 31, 2011

|   |                     |
|---|---------------------|
| Cash flows from operating activities:                     |                     |
| Receipts from leases                                      | \$ 4,030,795        |
| Payments for professional services                        | (50,902)            |
| Payments for repairs                                      | (48,759)            |
|   | <hr/>               |
| Net cash provided by operating activities                 | 3,931,134           |
|   | <hr/>               |
| Cash flows from capital and related financing activities: |                     |
| Principal paid on revenue bonds                           | (1,275,000)         |
| Interest paid on revenue bonds                            | (2,699,504)         |
| Insurance proceeds  | 218,774             |
|   | <hr/>               |
| Net cash used in capital and related financing activities | (3,755,730)         |
|   | <hr/>               |
| Cash flows from investing activities:                     |                     |
| Investment income   | 665                 |
|   | <hr/>               |
| Net increase in cash and cash equivalents                 | 176,069             |
|   | <hr/>               |
| Cash and cash equivalents, beginning of year              | 312,932             |
|   | <hr/>               |
| Cash and cash equivalents, end of year                    | <u>\$ 489,001</u>   |
|   | <hr/>               |
| Reconciliation of operating income to net cash provided   |                     |
| by operating activities:                                  |                     |
| Operating income  | \$ 2,151,101        |
| Adjustments to reconcile operating income to              |                     |
| net cash provided by operating activities:                |                     |
| Changes in assets and liabilities:                        |                     |
| Rent receivable   | (9,220)             |
| Leases receivable, net of unearned revenue                | 1,272,581           |
| Deferred interest receivable                              | 144,755             |
| Accounts payable  | 371,917             |
|   | <hr/>               |
| Net cash provided by operating activities                 | <u>\$ 3,931,134</u> |

See accompanying notes to financial statements.



# TOPEKA PUBLIC BUILDING COMMISSION

## NOTES TO FINANCIAL STATEMENTS

December 31, 2011

### 1 - Summary of Significant Accounting Policies

#### Reporting Entity

The Topeka Public Building Commission (the Commission) was established pursuant to Kansas Statutes Annotated (K.S.A.) 12-1757 *et seq*, as amended by Charter Ordinance No. 55 and Ordinances 17237 and 17808 of the City of Topeka, Kansas (the City), in 1998 and 2002. The Commission was created to provide facilities of a revenue-producing character to house offices or agencies of the State of Kansas, city, county, or a school district and to provide parking facilities for offices of agencies of the State of Kansas and the federal government. The Commission shall be comprised of seven members. One member shall be appointed by the Mayor of the City with the approval of the City Council. Such member shall serve at the pleasure of the Mayor and shall be the chairperson of the Commission. Six members shall be appointed by the Mayor of the City with the approval of the City Council for terms of four years. Of the members appointed under this provision, one shall be a representative of the Secretary of Administration of the State of Kansas, one shall be a representative of the governing body of Shawnee County, and one shall be a representative of the governing body of Unified School District No. 501. The member who is the representative of the Secretary of Administration shall be appointed from three nominations submitted by the Secretary of Administration. The member who is the representative of the governing body of Shawnee County shall be appointed from three nominations submitted by the governing body of Shawnee County. The member who is the representative of Unified School District No. 501 shall be appointed from three nominations submitted by the governing body of Unified School District No. 501. The members of the Commission serve without compensation. The Commission is not considered a component unit of the State of Kansas or of the City of Topeka.

#### Measurement Focus, Basis of Accounting and Financial Statement Presentation

The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

The Commission has elected to follow the accounting pronouncements of the Governmental Accounting Standards Board, as well as statements issued by the Financial Accounting Standards Board prior to December 1, 1989, unless the Financial Accounting Standards Board statements conflict with or contradict Governmental Accounting Standards Board pronouncements. The Commission has elected not to follow Financial Accounting Standards Board statements issued subsequent to November 30, 1989.

# TOPEKA PUBLIC BUILDING COMMISSION

## NOTES TO FINANCIAL STATEMENTS

(Continued)

### 1 - Summary of Significant Accounting Policies (Continued)

#### Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)

Operating revenues and expenses generally result from providing facilities to other governments. The Commission's operating revenues are receipts from direct financial leases. Operating expenses include repairs and administrative expenses. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

#### Cash and Cash Equivalents

Cash and cash equivalents consist of money market mutual funds, which are recorded at fair value.

#### Bond Trustee

CoreFirst Bank & Trust, Topeka, Kansas, has been appointed Trustee under the Indentures for the Commission Series 2007A and 2007B revenue bonds. The Trustee has accepted the duties and responsibilities imposed by the Trust Indenture dated November 15, 2007. The Trustee is compensated for reasonable fees for ordinary services and for reimbursement for advances, counsel fees, or other ordinary fees and expenses.

#### Long-Term Obligations

Revenue bonds issued by the Commission and interest thereon are limited obligations of the Commission, payable solely and only from the net earnings and revenues derived by the Commission from the Commission projects, including but not limited to the rents, revenues and receipts under Commission project-related leases. Bonds issued by the Commission do not constitute indebtedness or pledge of the faith and credit of the Commission, the City of Topeka, or the State of Kansas.

Bond premiums and discounts, deferred refunding differences, and bond issuance costs are deferred and amortized over the life of the bonds using the straight line method. Revenue bonds payable are reported net of the applicable bond premium or discount and deferred refunding differences.

# TOPEKA PUBLIC BUILDING COMMISSION

## NOTES TO FINANCIAL STATEMENTS (Continued)

### 1 - Summary of Significant Accounting Policies (Continued)

#### Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

#### Correction of Error

In 2011 the Commission recorded the balances of leases receivable and unearned revenue to correctly include the interest portion of scheduled lease payments. The beginning balance of leases receivable was increased by \$ 29,751,914, the beginning balance of unearned revenue was increased by \$ 29,686,552, the deferred interest receivable balance of \$ 144,755 was written off, and \$ 79,393 was charged against interest income to correct this error.

#### Pending Governmental Accounting Standards Board Statements

At December 31, 2011, the Governmental Accounting Standards Board (GASB) had issued several statements not yet implemented by the Commission. The statements that might impact the Commission are as follows:

GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, was issued in June 2011. The objective of this statement is to improve financial reporting by standardizing the presentation of deferred outflows of resources and deferred inflows of resources and their effects on a government's net position. It alleviates uncertainty about reporting those financial statement elements by providing guidance where none previously existed. The provisions of this statement are effective for periods beginning after December 15, 2011.

# TOPEKA PUBLIC BUILDING COMMISSION

## NOTES TO FINANCIAL STATEMENTS (Continued)

### 1 - Summary of Significant Accounting Policies (Continued)

#### Pending Governmental Accounting Standards Board Statements (Continued)

GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, was issued in March 2012. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflow of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. This Statement also provides other financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources, such as changes in the determination of the major fund calculations and limiting the use of the term *deferred* in financial statement presentations. In addition, debt issuance costs except any portion related to prepaid insurance costs, should be recognized as an expense in the period incurred. The requirements of this statement are effective for financial statements for periods beginning after December 15, 2012. Earlier application is encouraged. Accounting changes adopted to conform to the provisions of the statement should be applied retroactively by restating financial statements, if practical, for all periods presented.

### 2 - Investments

As of December 31, 2011, the Commission had the following investments (recorded as cash and cash equivalents on the statement of net assets):

| Investment Type           | Fair<br>Value | Investment Maturities (in Years) |             |             |             |
|---------------------------|---------------|----------------------------------|-------------|-------------|-------------|
|                           |               | < 1                              | 1 - 5       | 6 - 10      | > 10        |
| Money market mutual funds | \$ 489,001    | <u>\$ 489,001</u>                | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |

#### *Interest Rate Risk*

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Commission does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The Commission is not exposed to significant interest rate risk.

# TOPEKA PUBLIC BUILDING COMMISSION

## NOTES TO FINANCIAL STATEMENTS (Continued)

### 2 - Investments (Continued)

#### *Credit Risk*

The Commission's investments in money market mutual funds are rated AAAm by Standard and Poor's and Aaa-mf by Moody's.

#### *Concentrations of Credit Risk*

The Commission places no limit on the amount it may invest in any one issuer.

#### *Custodial Risk - Investments*

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Commission will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. At December 31, 2011, the Commission's investments were not exposed to custodial credit risk.

### 3 - Leases

The Commission has entered into a Lease with Option to Purchase with the State of Kansas – Department of Administration dated December 1, 1998, a first supplemental lease with option to purchase dated August 15, 2000, and a second supplemental lease with option to purchase dated November 15, 2007 for the Curtis Office Building. This office building was constructed and equipped at the southeast corner of 10<sup>th</sup> and Jackson Streets in Topeka, Kansas. This lease is intended to be a net lease with rent payments to be made by the State throughout the entire term of the lease designed to provide the Commission with funds adequate to pay all Commission obligations under the Bonds and the Indenture. The State lease payments are subject to annual appropriation by the State Legislature.

## TOPEKA PUBLIC BUILDING COMMISSION

### NOTES TO FINANCIAL STATEMENTS (Continued)

#### 3 - Leases (Continued)

The Commission has entered into a Lease with Option to Purchase with the State of Kansas – Department of Administration dated December 1, 1998, a first supplemental lease with option to purchase dated August 15, 2000, and a second supplemental lease with option to purchase dated November 15, 2007 for the adjacent Parking Facility. This Parking Facility was constructed and equipped at the southeast corner of 10<sup>th</sup> and Jackson Streets in Topeka, Kansas. The State is responsible for the gross rental payments, subject to annual appropriation by the State Legislature. The parking revenues escalate at 2 percent per annum. This lease is intended to be a net lease with rent payments to be made by the State throughout the entire term of the lease designed to provide the Commission with funds adequate to pay all Commission obligations under the bonds and the Indenture. The State lease payments are subject to annual appropriation by the State Legislature.

The Commission has entered into a Lease with Option to Purchase with the State of Kansas – Department of Social and Rehabilitation Services dated January 1, 1999, a first supplemental lease with option to purchase dated August 15, 2000, and a second supplemental lease with option to purchase dated November 15, 2007 for the Topeka Area SRS Office Building. This office building was constructed and equipped at the southeast corner of 5<sup>th</sup> and Van Buren Streets in Topeka, Kansas. This lease is intended to be a net lease with rent payments to be made by the State throughout the entire term of the lease designed to provide the Commission with funds adequate to pay all Commission obligations under the Bonds and the Indenture. The State lease payments are subject to annual appropriations by the State Legislature.

TOPEKA PUBLIC BUILDING COMMISSION

NOTES TO FINANCIAL STATEMENTS  
(Continued)

3 - Leases (Continued)

Future minimum lease payments on these leases are as follows:

| Year Ended<br>December 31, | Curtis Office<br>Building<br>and Parking<br>Facility | Topeka Area<br>SRS Office<br>Building |
|----------------------------|--|---------------------------------------|
| 2012                       | \$ 3,258,563   | \$ 778,937                            |
| 2013                       | 3,304,063  | 775,313                               |
| 2014                       | 3,368,937  | 777,813                               |
| 2015                       | 3,437,313  | 774,438                               |
| 2016                       | 3,498,937  | 719,563                               |
| 2017 - 2021                | 18,475,937   | 3,590,438                             |
| 2022 - 2026                | 20,278,187   | 3,572,063                             |
| 2027 - 2030                | 15,672,689   | 1,823,528                             |
| Lease receivable           | <u>\$ 71,294,626</u>                                 | <u>\$ 12,812,093</u>                  |

4 - Long-Term Debt

Revenue Bonds Payable

Revenue bonds consist of the following:

|                            |                      |
|----------------------------|----------------------|
| Series 2007A Revenue Bonds | \$ 45,735,000        |
| Series 2007B Revenue Bonds | <u>8,675,000</u>     |
|                            | <u>\$ 54,410,000</u> |

TOPEKA PUBLIC BUILDING COMMISSION

NOTES TO FINANCIAL STATEMENTS  
(Continued)

4 - Long-Term Debt (Continued)

Revenue Bonds Payable (Continued)

The Series 2007A Revenue Bonds consist of serial bonds and term bonds of \$ 41,970,000 and \$ 6,750,000, respectively. The serial bonds are due in annual principal payments ranging from \$ 490,000 to \$ 3,980,000 with the final payment due June 1, 2028, and bear interest at 5 percent. The term bonds mature in the following amounts and dates, \$ 4,275,000 – June 1, 2029, \$ 2,475,000 – June 1, 2030, and bear interest at 4.375 percent. All interest is payable semiannually.

The Series 2007B Revenue Bonds consist of serial bonds and term bonds of \$ 7,015,000 and \$ 2,930,000, respectively. The serial bonds are due in annual principal payments ranging from \$ 275,000 to \$ 560,000 with the final payment due June 1, 2024, and bear interest at rates of 4 percent to 5 percent. The term bonds mature in the following amounts and dates, \$ 590,000 – June 1, 2025, \$ 620,000 – June 1, 2026, \$ 650,000 – June 1, 2027, \$ 680,000 – June 1, 2028, \$ 390,000 – June 1, 2029, and bear interest at rates of 4.375 percent to 5 percent. All interest is payable semiannually.

The bonds are payable from, and secured as to the payment by a pledge of, the net earnings and revenues of the respective projects and a pledge and assignment of the respective trust estates. The bonds do not constitute a debt or general obligation of the Issuer, the State of Kansas, or the City.

The bonds may be redeemed prior to maturity in accordance with related bond indentures.



# TOPEKA PUBLIC BUILDING COMMISSION

## NOTES TO FINANCIAL STATEMENTS (Continued)

### 4 - Long-Term Debt (Continued)

#### Revenue Bonds Payable (Continued)

Aggregate future debt service requirements as of December 31, 2011, are as follows:

|             | 2007A Issue          |                      | 2007B Issue         |                     |
|-------------|----------------------|----------------------|---------------------|---------------------|
|             | Principal            | Interest             | Principal           | Interest            |
| 2012        | \$ 1,040,000         | \$ 2,218,563         | \$ 365,000          | \$ 413,938          |
| 2013        | 1,140,000            | 2,164,063            | 380,000             | 395,313             |
| 2014        | 1,265,000            | 2,103,938            | 400,000             | 377,813             |
| 2015        | 1,400,000            | 2,037,313            | 415,000             | 359,437             |
| 2016        | 1,535,000            | 1,963,938            | 380,000             | 339,563             |
| 2017 - 2021 | 10,015,000           | 8,460,938            | 2,205,000           | 1,385,438           |
| 2022 - 2026 | 14,905,000           | 5,373,188            | 2,810,000           | 762,063             |
| 2027 - 2031 | 14,435,000           | 1,237,682            | 1,720,000           | 103,531             |
| Total       | <u>\$ 45,735,000</u> | <u>\$ 25,559,623</u> | <u>\$ 8,675,000</u> | <u>\$ 4,137,096</u> |

#### Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2011 was as follows:

|   | Beginning<br>Balance | Additions   | Reductions            | Ending<br>Balance    | Current<br>Portion  |
|---|----------------------|-------------|-----------------------|----------------------|---------------------|
| Revenue bonds payable                           | \$ 55,685,000        | \$ -        | \$ (1,275,000)        | \$ 54,410,000        | \$ 1,405,000        |
| Plus deferred amounts for issuance premiums     | 2,901,113            | -           | (150,742)             | 2,750,371            | -                   |
| Less deferred amounts for refunding differences | (1,771,750)          | -           | 92,623                | (1,679,127)          | -                   |
|   | <u>\$ 56,814,363</u> | <u>\$ -</u> | <u>\$ (1,333,119)</u> | <u>\$ 55,481,244</u> | <u>\$ 1,405,000</u> |

### 5 - Risk Management

The commission is exposed to various risks of loss related to torts; that is, damage to and destruction of assets; business interruption; errors and omissions and natural disasters. Commercial insurance coverage is purchased for claims arising from such matters. Settled claims have not exceeded this commercial coverage in any of the three preceding years. There have not been significant reductions in coverage from prior years.